

VZCZCXRO8255

OO RUEHAST RUEHDH RUEHHM RUEHLN RUEHMA RUEHPB RUEHPOD RUEHTM RUEHTRO

DE RUEHOK #0076/01 1270237

ZNR UUUUU ZZH

O 070237Z MAY 09

FM AMCONSUL OSAKA KOBE

TO RUEHC/SECSTATE WASHDC IMMEDIATE 1373

INFO RUEHKO/AMEMBASSY TOKYO PRIORITY 8495

RUEHKSO/AMCONSUL SAPPORO PRIORITY 0262

RUEHNAG/AMCONSUL NAGOYA PRIORITY 2391

RUEHFK/AMCONSUL FUKUOKA PRIORITY 0254

RUEHNH/AMCONSUL NAHA PRIORITY 0282

RUEHBJ/AMEMBASSY BEIJING 0451

RUEHUL/AMEMBASSY SEOUL 1155

RUEHSH/AMCONSUL SHENYANG 0072

RUEHGH/AMCONSUL SHANGHAI 0042

RUEHGZ/AMCONSUL GUANGZHOU 0018

RUEHHK/AMCONSUL HONG KONG 0213

RUEHZN/ENVIRONMENT SCIENCE AND TECHNOLOGY COLLECTIVE

RUCPDO/DEPT OF COMMERCE WASHINGTON DC

RHMFUU/DEPT OF ENERGY WASHINGTON DC

UNCLAS SECTION 01 OF 02 OSAKA KOBE 000076

SENSITIVE

SIPDIS

COMMERCE FOR ITA BRICKMAN AND SANTILLO

DOE FOR PI BISCONTI AND EE CHALK AND KIMBIS

E.O. 12958: N/A

TAGS: [BEXP](#) [EINV](#) [ENRG](#) [ECON](#) [JA](#)

SUBJECT: GS Yuasa: Economic Downturn Assault on Lithium Ion Battery Producer

OSAKA KOBE 00000076 001.2 OF 002

¶1. (SBU) Summary: Tucked into a corner of Japan's cultural center of Kyoto is GS Yuasa Corporation (GSYC), a cutting edge producer of new greener battery technologies for use in hybrid and electric vehicles. GSYC's research ventures and projects with widely known companies such as Honda, Mitsubishi Motors, Sanyo, NASA and Boeing indicate high regard for the company's prowess in battery technology. However, GSYC has attempted to pour more resources into its lithium-ion battery production for use in hybrid and electric vehicles just as its revenue streams have been cut by the economic downturn and especially the downturn in the automobile industry. Compounding GSYC's revenue stream challenges, the company is the contract supplier for Boeing's delayed 787 Dreamliner project. End Summary.

¶2. (SBU) Formed by merger in 2004 of two of Japan's oldest battery companies, Nihon Denchi Corporation and Yuasa Corporation, GS Yuasa Corporation (GSYC) operates worldwide and maintains several U.S. subsidiaries, including Georgia based GS Yuasa Lithium Power. Still the world's third largest supplier of lead-acid automotive batteries, the company produces a variety of unique battery lines including batteries for use in satellites, airplanes and deep sea submarines and GSYC's business has steadily shifted away from lead-acid batteries into lithium-ion batteries, currently the most advanced battery technology, highly sought after by automakers. The percentage of the company's annual investment in lithium-ion batteries jumped from eight percent in 2008 to 31 percent in 2009.

-----  
Joint Venture Partners: Honda, Mitsubishi and Sanyo  
-----

¶3. (SBU) In 2009, GSYC established a joint venture with Honda Motors to develop and produce lithium-ion batteries

for Honda's second generation Civic hybrid and its next generation hybrid vehicles. GYSC officials told us that the goal of the joint venture is to produce lithium-ion batteries that are more compact, lightweight and powerful than existing batteries, but at greatly reduced production costs in the range of US 50 cents per watt, one fourth of the current cost of Y200 per watt (USD\$2). (Note: Sanyo Electric Company supplied batteries for the Insight, Honda's first hybrid vehicle, but Sanyo's merger with Panasonic, the supplier of batteries for Toyota hybrid vehicles, likely played a role in Honda's decision to shift to GSYC as its supplier. End Note.)

14. (SBU) In a separate joint venture project with Mitsubishi Motors Corporation (MMC) and its parent, Mitsubishi Corporation, GSYC began mass production of lithium-ion batteries in August 2008 at its subsidiary, Lithium Energy Japan in Shiga Prefecture. The batteries produced at the Shiga plant will be used to power MMC's plug-in electric vehicle, the MiEV, that press reports suggest will be launched as early as summer 2009. However, according to Katsuyuki Ono, Managing Director of GSYC and concurrently, President of Lithium Energy Japan, MMC will begin commercial production of the MiEV in 2010 or 2011. He told us that MMC believes it must first cut the current production price of approximately Y4 million (USD \$40,000) in half for successful commercialization. A plug-in EV, the MiEV's batteries can be fully recharged in seven hours at 200V (15A) electricity or 14 hours at the standard currency output in Japan of 100V (15A).

15. (SBU) GSYC officials highlighted that its joint

OSAKA KOBE 00000076 002.2 OF 002

ventures with Honda and Mitsubishi are not exclusive and stressed that the company is happy to supply its batteries to U.S. automotive companies or to other commercial users. They were roundly dismissive of Ford's selection, in February 2009, of Johnson Controls-Saft as the supplier of lithium-ion batteries for its plug-in vehicle. GSYC officials also told us that they expect the company's joint venture work with Sanyo developing lithium-ion batteries for use in cellular phones, digital cameras, and portable audio sets will continue even after Sanyo mergers with Panasonic, the supplier to Toyota and GSYC's competitor in lithium-ion batteries for hybrid and electric vehicles.

-----  
Elite Supplier to NASA and Boeing, but . . .  
-----

16. (SBU) NASA and Boeing use GSYC's lithium-ion batteries in its satellites and aircraft, and GSYC officials proudly showed us the largest lithium-ion battery in the world, specifically designed for use in Boeing B787 Dreamliner. Manager of the Corporate Strategic Planning Division, Ken Sawai added however, that the long wait for start of commercial production of the B787 has greatly affected GSYC's revenue flows. However, GYSC's transition toward becoming a supplier of cutting edge lithium-ion batteries is now firmly established. During the recent economic downturn, GYSC officials have noted a growing gap in revenue between newer business areas in which demand is still booming, such as lithium-ion batteries for electric vehicles and hybrid electric vehicles, and its older business areas such as lead-acid automotive batteries and small lithium-ion batteries for use in cellular phone, digital cameras and similar commercial products.

DONG